



## Revenue Generation and Rural Development in Nigeria: The Case of Makurdi Local Government Area of Benue State

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**Abstract:** This paper interrogates the nexus between revenue generation and rural development in Nigeria with particular reference to Makurdi Local Government Area of Benue State. The essence is to specifically ascertain the extent to which the utilization of revenue generation has impacted on rural development in the local government area. While questionnaires were used to get opinion of the rural dwellers on the problematic, both quantitative and qualitative data were sourced from sources. Based on the findings, Makurdi Local Government has both external and internal sources of revenue. The findings suggest that internal revenue generation in the local government is low due to negligence on the part of revenue collectors and lack of financial autonomy. And above all, the fieldwork conducted during the study revealed that the local government had little or no impact in the area of rural development. There were no visible projects initiated and completely implemented by Makurdi local government council during the period under study. Thus, it recommends that there is the need to employ and involve the service of higher ranking officers in financial management of Makurdi local government. There is also the need for proper re-orientation and training of low-ranking officers. The orientation of revenue officers of the local government will build in them a high sense of challenge, importance and achievement.

**Keywords:** Revenue Generation, Rural Development, Internal Sources, External Sources

### 1.1 Introduction

Revenue generation in Nigerian local governments is principally derived from TAX. Meanwhile, tax is a compulsory levy imposed by government on individuals and companies for the various legitimate functions of the state (Olaoye, 2008). Tax is a necessary ingredient for civilization. The history of man has shown that man has to pay tax in one form or the other that is either in cash or in kind, initially to his chieftain and later on a form of organized government (Ojo, 2003). No system or rules can be effective whether foreign or local unless it enjoys some measures of financial independence. Thus, the local government system in Nigeria has developed over a number

of years. Historically, the development of direct taxation in local government in Nigeria can be traced to the period before the British pre-colonial period. Under this period, community taxes were levied on communities (Rabiu, 2004) while in recent time, the revenue that accrues to local government is derived from two broad sources, viz: the external and the internal.

External sources of local government finance includes: Statutory allocation from the Federation Account in accordance with section 160 (2) of the 1999 Constitution of the Federal Republic of Nigeria as amended. Statutory



allocation from each state government to the local governments in its areas of jurisdiction, Federal Grants-in-aid, State-Grants-in-aid, borrowing from state government and other financial institutions, local rates on markets and shops, while internally generated sources of finance includes; local rates, market taxes and levies excluding any market where state finance is involved, bicycle, truck canoe, wheelbarrow and cart fees, other than a mechanical propelled truck, permits and fines charged by Customary Courts Local Government Business Investment, Tenement Rate Fees from schools established by the local governments, Shops and kiosks rate, on and off Liquor License fees, Slaughter slab fees, Marriage, birth and death registration fees (Ademola,2015).

Other sources include naming of street registration fee, excluding any street in the state capital, Right of occupancy fees on lands in the rural areas, excluding those collectable by the federal and state governments, excluding the state capital, Cattle tax payable by cattle farmers only, Merriment and road closure levy, Religious places establishment permit fees (Ademola,2015). Signboard and advertisement permit fees, Radio and Television license fees (other than radio and television transmitter), Vehicle radio license fees (to be imposed by the local government of the state in which the car is registered), wrong parking charges. Public convenience, sewage and refuse disposal fees, Customary burial ground permits fees, Fees collected from amusement centers established and operated by the local authority and that of Tourist centers and Tourist attractions, Rents, Fees on Private Institution, Motor park levies, Domestic and license fees etc (Ademola,2015). In spite of the above sources of revenue, Local governments in Nigeria are faced with varieties of difficulties to source adequate revenue from federal government, state government and the internally generated revenue, such problems are cogwheel to the smooth running of local government administration

on one hand and undermining rural development on the other hand.

Writers such as Ademola (2015), Ochoga (2016), Olutunji (2011) and Adewoje (2014) unanimously argued that internally generated revenue (IGR) has not been given proper and desired attention by most local governments in Nigeria. There is a consensus among these scholars that dishonesty on the part of officers collecting the revenues, such as cases of printing receipts by the officers had been the major problem in releasing the expected revenues. If the essence of local government is to enhance rural development, mismanagement of internally based revenue of the local government is capable of constraining the actualization of that purpose.

Whether the machinery put in place for collection of revenue is inadequate hence, most of the government money is not collected and this is in the case of internally generated funds (Ochoga, 2015). Meanwhile, as government is the means by which the common problems and needs of a community constituting a country are economically catered for, so as local community revolves jointly those common problems and needs, which could have been difficult to solve individually. The very reason for having local government is to enhance grassroots development, this is why every state finds it desirable to create local government councils to provide and deliver local public goods and services to hasten development (Olaoye, 2006) and bring government closer to the people. It is against this background that this study examine the impact of IGR on rural development in Nigeria with particular reference to Makurdi Local Government of Area of Benue State, covering the period between 1999 and 2015.

### **1.2 Research Problem**

Most local governments in Nigeria are faced with varieties of difficulties to source adequate revenue from federal government, state government and the internally generated



revenue. Such problems are cogwheel to the smooth running of local government administration. They are; the dishonesty on the part of officers collecting the revenues, such as cases of printing receipts by the officers which has been the major problem in releasing the expected revenues (Ademola, 2015; Ochoga, 2016). This ugly trend is an indication that the machinery put in place for collection of revenue is ineffective hence, most of the government monies are not collected and this is in the case of internally generated funds applicable to many local governments in Nigeria.

This problem suggests that the affected local governments do not have a robust internally generated revenue monitoring system, and as such, local governments largely operate and depend on the mercies of revenue collecting officers. This results to personal aggrandizements instead of using the internally revenue to initiate programs and projects that will have positive bearing on rural development. Giving the disheartening nature of this problem, it is yet to ascertain whether Makurdi Local Government Area is exempted from this pathetic scenario or not. To this end, the basic question that comes to mind here is what are the contributions of IGR to rural development in Makurdi Local Government Area? This essentially forms the problematic area which this study attempts to investigate and proffer answers to.

### **1.3 Objectives of the Study**

The general objective of this study is to establish the relationship between IGR and rural development in Makurdi Local Government Area of Benue State. While the specific objectives are as follows:

(i). To ascertain the actual internally revenue collected in Makurdi Local Government Area within the period under study

(ii) To determine the impact of the revenue generated on rural development of the local government.

### **1.4 Research Methodology**

#### **1.4.1 Research Design**

This segment of the paper is needed to determine the research design adopted for this study which includes the population of the study, sampling technique and sample size determination, method of data collection and also method of data analysis. This methodology is said to aid structuring the investigation aimed at identifying the usefulness of the variables (IGR and rural development) and their relationship to each other. In this direction, IGR is an independent variable while rural development is a dependent variable; since sustainable rural development is largely depended on the effective use of available finance (funds) to implement socio-economic programmes and projects that will have positive bearing on the rural poor. Thus, in this study, the methodology adopted will be used so as to get opinion and feelings of the rural poor (rural dwellers) concerning the impact of the LG IGR in developing the rural areas in the LGA.

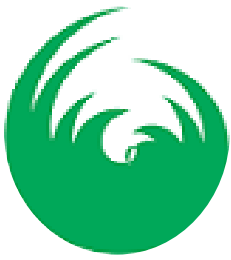
#### **1.4.2 Population of the study**

According to the National Population Census (2006), the population of Makurdi LGA is 300,377. Of which the NPC (2006) reported that 74% of the entire of the LG resides in Makurdi urban center, while the 26% are said to reside in the rural areas within the LGA. Thus, since the study is basically concerned with rural development, the population of the study is the 78,098 persons representing the 26% out of total population of the LG. This 26% (78,098) is the number of people living in the various rural areas in the LG which the sample will be drawn from.

#### **1.4.3 Sampling Technique**

. The method of sampling to be used is the random sampling because it gives every person in the rural areas an equal chance of being picked without any bias.

#### **1.4.4 Sample Size**



The sample size is 422 respondents from the selected study population of 78,098 persons. The sample size was picked from the total population of specified 78,098 persons without bias using 5% as the error margin using Yamane method.

#### 1.4.5 Method and Instrument of Data Collection

In terms of instrument of data collection, the method of data collection for this study is the use of questionnaires, so as to get the primary data from sample size of 422. This is also largely supported by the growing literature from secondary sources particularly the data generated from the LG's records and Bureau of Local Government and Chieftaincy Affairs. The questions were divided into two sections A and B. Section A represented the demography aspect of the respondents, while section B is the analysis of the questions in order for good result to be gotten. The questionnaire consists of questions to get personal information about the respondent. Initials are also used in getting their response such as Strongly Agree (SA), Agree (A), Fairly Agree (FA), Fairly Disagree (FD), Disagree (D) and Strongly Disagree (SD) which represent scale questions.

#### 1.4.6 Method of Data Presentation and Analysis

In the area of the method of data presentation and analysis, the quantitative data was presented in tables and analyzed using simple statistical percentages techniques to ascertain the actual impact of the projects in reducing rural development challenges in the LG. This can be done by

**TABLE 1; INTERNALLY GENERATED REVENUE OF MAKURDI LOCAL GOVERNMENT AREA 1999-2015. HEAD DETAILS OF REVENUE**

HEA D	Revenue Details of Revenue	Revenue	1999	2005	2007	2009	2013	2015
1001	Taxes	47,890	47,890	59,419		72,190	77,250	
1002	Rate	18,272	18,272	27,134	-	11,400	21,300	-

analytically evaluating the state development of the communities in the LGA before the return to civil rule in 1999 and the current state after fifteen years of LG administration in the present democratic dispensation.

To further evaluate the sanctity of the prepositions, the study will deal with frequency and percentage tables to analyze data collected against each preposition accordingly. The technique simple percentage ratio was adopted for the evaluation of the prepositions in order to determine if significant relationship exist between IGR and rural development in the LGA. And to particularly determine the relationship that exists between the variables, this was done using:

$$Y=a+bx+e$$

Where: y=Rural Development (RD) (Dependent Variable)

a=intercept/autonomous

b=coefficient of RD

X=IGR (IGR) (Independent Variable)

e = stochastic

**Decision rule:** the option that has the highest frequency of responses was adopted and accepted the answer for the question. This hereby assumes that the parameter estimates of A & B are theoretically meaningful and that there is a direct relationship between dependent and independent variables.

#### I 1.5 Internal Revenue Generation of Makurdi Local Government Area



1003	Local license; fines and fees	82,075	82,075	101,707	766445	-	-	-
1004	Earning from commercial Undertakings	14,748	14,748	21,075	191,770	39,350	-	-
1005	Government Property	-	-	-	-	-	-	-
1006	Interest payment and dividends	-	-	-	-	-	-	-
	Miscellaneous	19,230	19,230	25,620	44,005	908,650		1,009,750
	Total	182215	182215	234955	1744410	1,915,310	1093655	1110470

**Source:** Planning and Finance Unit, Makurdi Local Government (2017).

The table 1a above represents just the summary of internally generated revenue of Makurdi local Government Area from 1999 to 2015. It will also be noted that under each revenue headings, there are a number of sub-headings; for instance we have Taxes (1001) as the first heading. Under this tax, there are about four (4) sub-headings. These sub-headings represent those taxable objects Makurdi local government can generate revenue from through tax. For example, we have community rates, development levy, cattle tax and other special taxes etc. as collectable taxes by Makurdi local government. Again under local license fines and fees (1003), Makurdi local has about ninety (90) different sources of collecting and generating revenue through license, fines and fines. In general, one can see from table 3b below that the local government under study has not less than 119 sources of internal revenue generation.

The community tax is levied at an annual flat rate per taxable adult in the various communities, towns and villages under the jurisdiction of the council. The low rate of the tax enhances its appeal among rural dwellers since even the poorest person is assumed capable of paying it (Anyafu, 1996:74). There is also under tax what is called

development levy. Development levy is money collected from the members of the public by the local government for execution of developmental projects. For instance, the local government may collect a given sum of money from members of a community for construction of a particular road or bridge in that locality. There is also ‘cattle tax’. Cattle tax is paid by the cattle rearers. This type of tax is also common and viable in cattle rearing communities in Northern parts of the country. It yields little or no revenue to Makurdi local government. Special tax as another type of tax collectable by the local government is tax levied on members of a given community for provision of specific special service. Under heading 1002, we have local government rates. This is another source of revenue generation by the local government.

Under this source, there are residential tenement rates and commercial tenement rates. Tenement is a house or home stalled. It also means a land held of a superior landlord and in this sense appears as a technical legal word applicable to all real estates, which includes offices, and dignities that concern lands profits issuing out of lands. Tenement rates are thus, property tax. It can be accessed on the basis of the capital value, rental income or location of the property.



Makurdi local government also generates revenue internally through local licenses, fines and fees as it is contained in table 4 above on the heading 1003. As we shall see in table 5 below, Makurdi local government have about ninety two (92) different sources of collecting

revenue via licenses, fines, and fees. Sometimes, the term “permit” is used in place of license or permit fee instead of license fee. Heading 1004 shows that the local government generates revenue internally through earning from commercial undertaking.

**TABLES 1b: MAKURDI LOCAL GOVERNMENT ESTIMATE RECURRENT REVENUE IN 2015**

Sub Head	Details of Revenue	Estimate 2015	Approved Estimate 2008	Actual Revenue
1	1001 – Taxes	500,000	500,000	-
2	Head 1002 – Rates	1,123,765	1,123,765	-
3	Head 1003- Licenses and FEEs	-	-	-
4	Head 1004: FOOD CONTROL	-	-	-
5	Head 1005: SOCIAL	-	-	-
6	Head 1006: HEALTH	-	-	-
7	Head 1007: ECONOMICS	5,432,958	5,432,958	-
8	Head 1008: ENGINEERING WORK AND	-	-	-
9	HEAD 1009 – EARNING FROM COMMERCIAL UNDERTAKING	-	-	-
10	HEAD 10010: RENT ON L.G.	-	-	-
11	Grants from State Govt	-	-	-
12	Grants from Fed. Govt	-	-	-
13	Other Grants	-	-	-

**Source:** Planning and Finance Unit, Makurdi Local Government (2016).

One noticeable thing about these sources of internal revenue generation is that some of the sources are either no longer existing or feasible. For instance, the local government has revenue right to collect corn grinding mill license fees and gold smith license fees. Gold smith and gold sellers used to be in existence but now no body engages in such occupation in the Makurdi local government area. As such the revenue accruable from this source has automatically closed. The same thing is applicable to corn grinding mill as there is no place you

can see it in the local government area. In the same vein, some taxes are difficult to impose and collect. For instance, it is the revenue right of Makurdi to collect fees from hunters and bicycle license fees. While a very few number of people still engage in hunting, it is difficult to locate them and get them to pay the fees. Likewise, bicycle users are very few in number and unlikely to pay bicycle license fees. These have drastically affected internally generated revenue of the local government. Despite these constraints to internal revenue generation of Makurdi local



government, as we can see in next section, the local government still has a good number of internal sources of revenue generation to raise reasonable amount of money.

### **1.6 Makurdi Local Government and Utilization of Revenue for Rural Development**

Having examined the administration of revenue generation in the previous section, this section focuses on revenue

utilization. Because, it is one thing to generate revenue and it is another thing to effectively use the revenue for the good of the rural poor whose benefit local government was created. Therefore, the thrust of this section is to investigate how the local government has utilized the accrued revenue for the purpose of development.

**TABLE 1e: MAKURDI LOCAL GOVERNMENT SUMMARY ESTIMATE OF RECURRENT EXPENDITURE 2000-2015**

<b>YEARS</b>	<b>Department</b>	<b>Establishment</b>	<b>Estimate personnel Cost 2008 N</b>	<b>Over Head Cost 2008 N</b>	<b>Total Provision N</b>
<b>2000</b>	Office of the Chairman	34	21311260	15050,000	36,361,260
<b>2001</b>	Office of Secretary	7	767,720	2,400,010	3,167,730
<b>2002</b>	Council Legislative	20	34,936,330	6,300,000	41,236,330
<b>2003</b>	Office of Head Administration	9	9 2,472,280	9 2,472,280	4,100,000
<b>2004</b>	Administration	267	35,320,570	6,400,000	41,720,570
<b>2005</b>	Accounts	125	23,334,980	34,150,00	57,484,480
<b>2006</b>	Planning/Stat	8	7,869,260	2,280,000	10,149,260
<b>2007</b>	Education/com. Dev soc. Welfare	44	10,114,470	2,950,000	13,064,360
<b>2008</b>	Medical ad Health Service	136	33,494,360	11,800,000	13,320,330



<b>2009</b>	Works, Housing and Survey	45	10,621,050	4,250,000	14,871,050
<b>2011</b>	Traditional Offices	6	3,600,000	-	3,000
<b>2013</b>	Contribution to local government	-	-	-	330,190700
<b>2015</b>	Transfer to Reserve Fund	-	-		460,090100
<b>TOTAL</b>		739	195,462,610	91,400,010	617,053,32

**Source;** Planning and Finance Unit, Makurdi Local Government (2015). Annual Estimate of makurdi Local Government Table3e above shows that Makurdi Local Government estimate of recurrent expenditure stood at 617,053,320 for the year 2008. The external revenue of the local government for the same year was 626,788,760 and internally generated revenue for the year was just 1,915,310 (Tables 3d and 3e). This by implication shows that out of the total income of 628,704,070 of the year 2008, the local government is expected to spend 617,053,320 on recurrent expenditure only. This shows that the local government is virtually left with little money to invest on commercial activities. This can be explained in part that because of oil boom, some local governments in Nigeria wait for their share of oil money thereby neglecting the sources of internal revenue open to them. No concrete effort is made to generate revenue through the internal sources.

**TABLE 1f: LIST OF PROJECTS EXECUTED BY MAKURIDI LOCAL GOVT BY SECTORS 2000-2015**

S/N	Sectors	Number of Projects
1	Health	4
2	Education	-
3	Rural Roads	3
4	Market development	2
5	Rural Water	4
6	Rural Electricity	9
7	Prim Sch. Renovation	-
8	Agro-Allied	2
9	Women Empowerment	-
	Youth Empowerment	-

**Source: Authors' fieldwork across the LGA (2018)**



While the data in table 3e revealed that recurrent expenditure took centre stage in the local government financial report, more pathetic data is presented in table 3f. Based on the fieldwork conducted across districts in the local government showed that since 1999 until date there is no single project initiated and completely implemented to functional stage by makurdi local government council in the area of primary school building-renovation or equipments supply, women and youths empowerment. Meanwhile, as showed in the table, the survey revealed that there were projects in the area of health; rural roads, market development, rural water, rural electricity and agro-allied intervention (see the appendix for the nature of the projects.).

Revenue generation is the nucleus and the path to modern development. Thus, the study set to assess the revenue generation and utilization of the Local Government Area. This is because local government as the third tier of government and the closest to the people especially in the rural areas needed revenue to provide basic social amenities to the people. But it is unfortunate to note that the local government management has not lived up to expectation especially to provide basic social amenities to the rural people. The data obtained through questionnaire was presented in tables and expressed in simple percentage. The following were some of the findings which included slow development of the areas, lack of basic social amenities to the rural people and lack of revenue to maintain the existing infrastructures.

The study observed among others that, local government has always been dependent when it comes to their expenditures; they rely and hope on the statutory allocation that comes from the federal for their expenditures and that the application of financial controlling measures affects the development of Makurdi local government area positively since it reduced looting and embezzlements of funds. In the course of carrying out this research, the following analyses were presented as the summary of the findings.

(1) From the findings, it was observed that the revenue to Makurdi local government has not been utilized for substantive development because of the corrupt, greedy and selfish leaders who siphoned the money meant for development into personal use.

(2) It was also observed from the findings that the revenue collected by the local government both internally and externally cannot be enough for substantive development of Makurdi local government area, because there are areas that need more resources to be channeled into e.g. education and as such they need extra source of fund like donations.

(3) It was equally observed that local government has always been dependent when it comes to their expenditures; they rely and hope on the statutory allocation that comes from the federal government to foot their expenditures. The revenue generated internally is not sufficient for the local government.

(4) Moreover, poor utilization of revenue has negative effect on rural development in Makurdi local government area.

(5) It was noticed that primary health care centers were the only projects that have been embarked upon and completed by Makurdi local government in accordance with their budget.

(6) It is so because primary health care has the maximum attention because of the nature of the area, they were more business oriented and as such good health care will help facilitate their business.

(7) Agriculture was not given much attention even though the people are agrarian in nature.

(8) It was observed that the application of financial controlling measures affects the rural development of the local government area positively because by so doing, there will be checks and balances and the officers who loot the money meant for development into their personal accounts will not be able to do so. Conclusively, these findings suggest that the revenue generated by the local



government within the period under investigation has little or no positive impact on rural development; hence the findings revealed that recent development projects in the local government are either funded by the state government or MDGs project of the federal government. After careful study of the data collected and analyzed, the researchers drew the following conclusion on Makurdi local government and rural development: That the major issue of the utilization of local government revenue originated from electing corrupt and unqualified personnel who know little or nothing about being a leader or functionaries in the local government area. When the head is corrupt, certainly, the whole body will follow, when the leaders or chairman of a local government embark on illegal payment in the council without being cautioned, what then becomes of the staff. The overall effect of the effective revenue utilization is that, it will produce development such as social amenities like good roads, pipe borne water, electricity and other infrastructural facilities and alleviation of poverty.

Likewise, the poor utilization of funds has negatively affected substantive rural development as poor health care services, poor primary school learning condition, poor rural roads, poor markets condition, absence of treated water supply, absence of agricultural inputs subsidy etc were the problems in 1999 and they are still the major challenges of today for the rural poor. This is due to poor implementation, accountability, transparency and political interference and more so, the inability to checkmate the local council with appropriate financial measures has crippled the development process. Therefore this research work has discussed critically and analytically the effective revenue utilization for substantive development of Makurdi local government level, examining the problems associated with revenue utilization, the impact and the

solutions to these problems. It is in the view of the researchers that if those entrusted with the money of the local government are honest and accountable, possessing sound knowledge, about revenue, possessing accurate and reliable information e.t.c. they will be able to effectively and efficiently manage and utilize the revenue at the local government level in such a way that will commend the support and approval of the people and deliver the needed rural development to where it is mostly needed.

#### **Problem of Internal Revenue Generation And Utilization in Makurdi Local Government Area**

##### **(i) Negligence on the part of revenue Officers is a major problem to internal generation of revenue in Makurdi local government.**

Test of Hypothesis and the implications H1: Negligence on the part of revenue officers constitutes a problem to Internal Revenue Generation in Makurdi Local Government Area. Negligence should be viewed as “omission of that which ought to be done”, it is leaving things undone or unattended to. It should be seen as disregard, lack of due diligence or care, heedlessness. In this section it is measured in terms of the efforts the local government revenue officers have made to improve internally generated revenue despite all the factors militating against internal revenue generation in the local government. Attention here is to determine whether the local government has made concrete effort(s) to enhancing internally generated revenue. One will agree that despite all the limitations to internal revenue generation of the Makurdi Local government, something must be done. This section summarily inquires to know the steps taken by the local government to improve its revenue via internal sources. To test the above hypothesis, data generated from constructed instrument were used.

**Table 4a: Negligence and Internally Generated Revenue Level of agreement**



Item	Description of items	Strongly Agree	Agree	Strongly disagree	Disagree
7	Indicate the extent to which you agree or disagree that Makurdi local neglect its sources of internal revenue generation	37 41%	37%	5%	17%
A	There is no lay down procedures for revenue collections	35 38%	15 16%	27 30%	13 14%
B	Lack of facilities like vehicle for revenue drive	40 44%	25 28%	15 17%	10 11%
C	The revenue officers are not Trained	36 40%	34 37%	14 16%	6 7%
D	Poor supervision	27 30%	23 26%	12 13%	28 31%
E	The Revenue staff are not Enterprising	40 44%	30 33%	15 17%	5 6%
F	Tax collectors do not go out to collect fees and taxes	49 54%	11 13%	7 8%	23 25%

Source. As analysed from the instrument (item 7). Calculation of  $x^2$

**Table4b: Observed and Expected value of Negligence on the part of Revenue officers and internally generated revenue in Makurdi local government**

Government. F	Tax collectors do not go out to collect fees and taxes	60	60.8	30	29.2	90
	Total	365	175	-	540	

Source: As analysed from the instrument Using the formula  $x^2 = \frac{(O-E)^2}{E}$

Where O is the observed values, E is the expected values

Substituting



$$\begin{aligned} & (50-60.8) + (65-60.8)2 + (70+ 60.8)2 + (50-60.8)2 \\ & 60.8 \ 60.8 \ 60.8 \ 60.8 \\ & 83 \\ & (70-60.8)2 + (60-60.8)2 + (40-29.2)2 + (25-29.2)2 \\ & 60.8 \ 60.8 \ 29.2 \ 29.2 \\ & (20-29.2)2 + (40-29.2)2 + (20-29.2)2 + (30-29.2)2 \\ & 29.2 \ 29.2 \ 29.2 \ 29.2 \\ & = 1.918 +2.901+1.392+1.918 +1.392 + 1.052 \\ & +3.994+6.041+2.899+3.994+2.899+2.191 =32.591. \\ & X^2 = (0.05)= 5 \end{aligned}$$

Based on the above calculation, therefore, we accept the hypothesis which states that Negligence on the part of revenue officers constitutes a problem to internal revenue generation in Makurdi local government because tabulated value is less than calculated value. Hence from the data analyzed, 20 out of 90 respondents disagreed that Makurdi local government did not neglect its sources of internal revenue while 70 respondents were of the view that the local government neglected its internal sources of revenue generation. This means that 22 percent of the respondents were of the opinion that Makurdi local government taps properly its internal sources of revenue while 78 percent had a contrary opinion. On how Makurdi neglects the internal sources of revenue open to it, the following were given:

- a) no laid down procedures for revenue collections,
- b) tax collectors do not go out to collect fees and taxes,
- c) Revenue Officers are not well trained,
- d) poor supervision,
- e) revenue staff are not enterprising and
- f) lack of facilities like vehicles for revenue drive.

On no laid down procedures for revenue collection, 35 respondents strongly agreed, 15 respondents agreed, 27 respondents strongly disagreed while 13 respondents disagreed. This implies that 50 respondents which is 54 percent agreed that there is no laid down procedures for revenue collection, 40 respondents that is 46% maintained that there is laid down procedures for revenue collection.

It is evident that there is laid down procedures for collection and management of revenue of local government as it is contained in Local Government Financial Memorandum of 1991. The question now is how this procedure solves the current problem of internal revenue generation in the local government?

On the lack of facilities like vehicles for revenue drive, 65 respondents which represents 72 percent agreed that there is lack of facilities for revenue drive, 25 respondents that represent 28% held a contrary view. On whether revenue officers are well trained, 70 respondents that 77 percent agreed that revenue officers are not well trained while 20 respondents which represents 23 percent disagreed that they are not trained. On poor supervision of revenue officers, 27 respondents strongly disagreed that there is poor supervision of revenue officers. On whether the tax collectors go out to collect fees and levies from the members of the public when they do not come to the local government to pay their taxes, 49 respondents strongly agreed while 11 respondents agreed that the tax collectors do not go out to collect tax and 23 disagreed that tax collectors do not go out to collect taxes. This implies that 67 percent were of the view that the tax collectors do not go out to collect taxes from the public when they do not come to pay by themselves, 33 percent were on the contrary.

#### **(ii) Lack of Financial Autonomy and Internal Revenue Generation in Makurdi Local Government**



Financial Autonomy is literally defined as to be self-governing in matters of money. It is a right or the power to engage in certain actions without externally imposed restraints and interference. Local Government system in Nigeria needs a moderate amount of financial autonomy to be able to discharge its responsibilities. Public revenue in a federal system like Nigeria assumes that there should be revenue decentralization. Public revenue decentralization occurs when lower tiers of government have statutory power to raise taxes and carry out spending activities within specified legal criteria.

It is in recognition of the importance of financial autonomy that both the Originators of Local Government Reform of 1976 and 1999 Constitution of Federal Republic of Nigeria granted such autonomy to the local government. The local government autonomy include among other things, ability to make its own laws, rules and regulation. Despite this statutory provision for local government financial autonomy, the state government has continued to interfere in affairs of the local government. Accepting the fact that the state government interferes in financial affairs of local

government system, President Ibrahim Babangida during his budget presentation stated that:

All forms of control, overt or covert, which have hitherto been exercised by the state government on the financial dispensation of local government must cease forthwith. In this section, we are going to examine limitations to financial autonomy of Makurdi local government as regards to internally generated revenue. Our focus should be on:

- (a) Tax-raising Capacity of the local government in relation to other tiers of government
- (b) The state government interference in revenue generation in the Local Government, and
- (c) The state government control of financial management of Makurdi Local Government.

Test of hypothesis and the implications H2 Lack of financial autonomy constrains revenue generation via internal sources in Makurdi Local Government Area. To test the above hypothesis, data generated from constructed instrument were used (see appendix 1).

**Table 4b Lack of Financial Autonomy and internally generated revenue Level of agreement**

Item	Description of items	Observed	Expected	Observed agree	Expected
<b>8</b>	Indicate the extent to which you agree or disagree that Makurdi local government lacks financial autonomy. If the answer to 8 above shows lack of financial autonomy, indicate the reason for this	27 45%	23 38%	6 10%	4 7%
<b>A</b>	Infringement by state government on source of internal revenue generation of Makurdi Local government	32 53%	18 30%	3 5%	7 12%6
<b>B</b>	Narrow revenue base	25 42%	23 38%	2 3%	10 17%

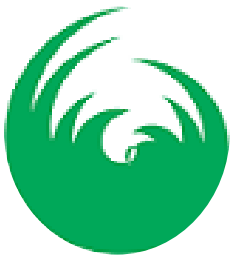


<b>C</b>	Lack of tax-raising power	22 37%	18 30%	8 13%	12 20%
<b>D</b>	Lack of power to make bye-laws	18 30%	19 32%	10 17%	13 21%

Source: As analysed from the instrument (items 8) Calculation of x2

**Table 4c observed and expected value of lack of financial autonomy by Makurdi local government and internally generated revenue.**

Item	Description of items	Agree		Disagree		Total
		Observed	Expected	Observed	Expected	
<b>8</b>	The reason for lack of financial autonomy	50	42.8	10	17.2	60
<b>A</b>	Infringement by state government on sources of internal revenue generation of Makurdi local government	50	42.8	10		60
<b>B</b>	Narrow revenue base power	48	42.8	12		60
<b>C</b>	Lack of tax-raising power	40	42.8	20		60



<b>D</b>	Lack of power to make bye-laws	33	42.8	27	17.2	60
<b>TOTAL</b>		171	-	69	-	69

**Source:** As analysed from the instrument using the formular  $\chi^2 = \frac{\sum (O-E)^2}{E}$

Where O is the observed values, E is the expected values

**Substituting**

$$(50-42.8)^2 + (48-42.8)^2 + (40-42.8)^2 + 42.8 \cdot 42.8 \cdot 42.8$$

$$(33-42.8)^2 + (10-17.2)^2 + (12-17.2)^2 + (20-17.2)^2 + (27 \cdot 17.2) / 17.2 \cdot 17.2 \cdot 17.2 =$$

Based on the above calculation, we accept the hypothesis which states that “lack of financial autonomy constrains generation of revenue via internal sources in Makurdi local government because tabulated value is less than calculated value. From the data in the table above, 27 respondents out of total of 60 respondents strongly agreed that Makurdi Local government lacks financial autonomy, 23 respondents admitted the same fact that the local government lacks financial autonomy 6 respondents strongly disagreed that the local government lacks financial autonomy and 4 respondents disagreed.

This means that 83 percent of the total respondents agreed that Makurdi Local government truly lack financial autonomy to generate revenue only 17% of the respondents that have contrary opinion. On the reasons why local government lacks financial autonomy, the following reasons were given; that the state government infringe on the sources of internal revenue generation of the local government, that local government lacks tax raising power and that the local government does not have power to make bye-laws.

**Conclusion**

Based on the findings, the major problem of internal revenue generation in Makurdi local government is the over concentration on sharing the national cake without

much attention on baking it. Makurdi local government relies on external transfer for about 90% of its revenue. There is shift in the emphasis from internally generated revenue to external revenue as a means of financing local government over the years. This phenomenon can be explained in part by the fact that in early sixties, agriculture used to be mainstay of the Nigerian economy. The oil boom created the condition of over dependency on oil revenue in Nigeria and the country basically became a mono-cultural economy that relies mainly on oil for its survival. This over reliance on oil revenue has made virtually all the local governments in Nigeria to focus unceasingly on it without blinking.

**Recommendations**

Based on the findings drawn from the research, the study suggests that while the culture of good governance is the panacea for performance of the local government in the area of rural development, to improve the financial capacity of Makurdi local government, it is necessary to enhance the internally generated revenue. This will reduce the over dependence on external sources of fund. To do this, the following steps should be taken:

Firstly, there is the need to employ and involve the service of higher ranking officers in financial management of Makurdi local government. High-ranking officers are



likely to have greater ability for revenue collection than low ranking inexperienced officers who lack reward feelings. Again experienced officers can assist in taking vital financial decision that can enhance internal revenue generation in the local government. To make this more result oriented, it is suggested that these high-ranking officers could make use of available records at ward and community levels. Through this means, it will be able to compare the revenue yield at any moment with the total expected from each unit, ward or community. In essence, one of the functions of these superior officers would entail mobilizing the communities to live up to their civic responsibilities by discharging their financial obligations to the local government promptly.

Again, there is the need for proper re-orientation and training of low-ranking officers. The orientation of revenue officers of the local government will build in them a high sense of challenge, importance and achievement. It will increase their knowledge of how to keep proper account of the local government. The trained revenue officers at least will know how to use his/her initiative to improve internally generated revenue instead of waiting for directives from the superiors. The high ranking officers should best assist in this area. Also staff should be properly motivated through adequate incentive packages like improved remuneration and revenue drive should also be provided.

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